

**PROPERTY TAX
LGA appropriation increase**

March 17, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3576 (Bakk) / H.F. 3794 (Lislegard) as introduced

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
LGA Appropriation Increase	\$0	\$0	(\$90,000)	(\$90,000)
Property Tax Refund Interaction	\$0	\$0	\$2,360	\$2,360
Income Tax Interaction	\$0	\$0	\$920	\$920
General Fund Total	\$0	\$0	(\$86,720)	(\$86,720)

Effective for aids payable in calendar year 2023 and thereafter.

EXPLANATION OF THE BILL

Under current law, the appropriation for local government aid (LGA) is \$564,398,012 for aids payable in 2023 and thereafter.

The bill would increase the LGA appropriation to \$654,398,012 for aids payable in 2023 and thereafter.

REVENUE ANALYSIS DETAIL

- Increasing the appropriation for LGA to cities would increase costs to the state general fund by \$90 million in CY 2023 and thereafter.
 - It is assumed that the increase in aid to cities would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2024, resulting in a savings to the state general fund.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Increase	Business property taxes would generally decrease with an increase in local government aid.
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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